



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

M/027/006

August 24, 1995

CERTIFIED RETURN RECEIPT
P 074 978 952

Joe Brokke, Mine Manager
Continental Lime Incorporated
P. O. Box 669
Delta, Utah 84624

Re: Surety Bond Cancellation Notice, Continental Lime Incorporated ("Continental Lime"), Cricket Mountain Lime Plant, M/027/006, Millard County, Utah

Dear Mr. Brokke:

On August 18, 1995, we received a notice of cancellation from The Aetna Casualty and Surety Company (Aetna) for bond _____, The bond cancellation date is November 18, 1995. This bond, in the amount of \$293,100, is currently in place for the Cricket Mountain Lime Quarry. Under page three of nine, item two, of the Reclamation Contract is the following provision:

... "If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area."

Under page four of nine, item eleven, the Reclamation Contract reads:

"Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or



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order forfeiture of the Surety Contract, or take such other action as is authorized by law. "

According to the terms of the present Reclamation Contract, Continental Lime must provide the Division with an acceptable surety within 60 days of the surety cancellation notice, i.e. **Tuesday, October 17, 1995**. In addition to replacing the surety, Continental Lime will also need to provide the Division with a new Reclamation Contract. We have enclosed a copy of a new and partially completed Reclamation Contract (form MR-RC) for your use. We have partially completed the form using the information from the old Reclamation Contract (copy enclosed). Please complete the form by providing the remaining information as instructed in the enclosed guideline and return the original to this office.

Late yesterday (August 23) we received a facsimile transmission from Shelley Cerna of Alexander & Alexander. This facsimile indicates that a replacement surety in the amount of \$293,100 has been issued and is currently being routed to Continental Lime for signatures. A copy of the new surety without signatures was included in this transmission.

The current surety amount of \$293,100 was posted in 1993 and was escalated five years into the future to be in terms of 1998 dollars. The Board has asked the Division to adjust all sureties for current escalation when these documents are being revised. For this reason we have adjusted the base amount of \$273,169 (1993 dollars) for escalation to the year 2000. The new surety amount required for the Cricket Mountain Quarry is \$330,400. Please provide a replacement surety for this amount. If the replacement surety has already been finalized, a rider adjusting the amount to this new total would be acceptable to the Division. We have also enclosed a copy of the current Division Joint Agency Bonding Form for your use if you elect to revise the replacement bond currently being processed. A copy of the escalation calculation sheet and previous reclamation estimate are attached for your information.

Please be aware that failure to provide these documents may result in the Board of Oil, Gas and Mining's initiation of an Order to Show Cause ordering Continental Lime to appear before the Board to show just cause as to why these documents were not provided to the Division, or in the alternative, requiring forfeiture of the current surety. The replacement surety will be tentatively scheduled for presentation at the Wednesday, October 25, 1995 Board Hearing. In the event the required documents are not received by the Division in a timely manner, the Order to Show Cause will then be scheduled for this same Board date.

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Thank you for your immediate attention to this matter. If you have any questions regarding this letter, contact me or Wayne Hedberg, Minerals Permit Supervisor, at your earliest convenience.

Sincerely,



Anthony A. Gallegos
Senior Reclamation Specialist

jb

Attachments: Reclamation Estimate 6/14/93, reclamation surety update 8/22/95

Enclosures: Reclamation Contract (MR-RC), Guideline for Completing MR-RC, Joint Agency Bonding Form, copy of old MR-RC, copy of old Surety

cc: Mike Brown, Continental Lime, SL Office w/attachments
Susan Purchase, Aetna Casualty & Surety Co.
Shelley Cerna, Alexander & Alexander w/attachments
John Blake, SITLA (ML35572)
Rody Cox, BLM Warm Springs RA (UTU-070556)
J. W. Carter, Director, DOGM
J. Brown, Secretary of the Board of Oil, Gas and Mining
Lowell Braxton, Associate Director, DOGM; Wayne Hedberg, Permit Supervisor, DOGM (route)
M27-06V3.BND

RECLAMATION ESTIMATE

Continental Lime, Inc.

last revision 06/14/93

Cricket Mountain Quarry

filename M27-06.WQ1

M/027/006

Millard County

Prepared by Utah State Division of Oil, Gas & Mining

Reclamation Details

- This estimate is based on Continental Lime, Inc.'s 2/15/93 response letter
- All quantities & unit costs from Continental Lime's 2/15/93 estimate were used
- The 1992 factor of 1.27% was used in the previous estimate
- The escalation factor for projecting forward is currently 1.42% [not 1.27%]
- The projecting factor is an average of the previous 3 yrs escalation
- NOTE-This subtotal differs from the subtotal in Continental's estimate
- It appears that the Continental subtotal of \$245,335 was incorrect
- Estimated total disturbed acreage = 142.9 acres

Activity	Area	\$
Mobilization/demobilization		6,000
Crusher site reclamation	17 acre	28,620
Rejects stockpile reclamation	27.3 acre	30,290
West waste dump reclamation	20.7 acre	53,120
North waste dump reclamation	1.3 acre	2,230
Cricket Mountain Quarry reclamation	70 acre	106,705
Unstable highwall area reclamation	2 acre	14,640
Explosive magazines & road reclamation	0.7 acre	640
Topsoil stockpiles & misc. roads reclamation	3.9 acre	6,090
	Subtotal	248,335
	Add 10% contingency	24,834
	1993-\$ Subtotal	273,169
	Add 5 yr escalation at 1.42%	19,954
	Total 1998-\$	293,122

Rounded Total in 1998-\$

\$293,100

Average cost per acre = \$2,051

SURETY ESTIMATE UPDATE

last update 08/22/95

Continental Lime, Incorporated

filename M27-06UP.WB2

Cricket Mountain Quarry M/027/006 Millard County

Prepared by Utah Division of Oil, Gas & Mining

DESCRIPTION:

-Reclamation Estimate last revised 6/14/93

-This update adjusts the estimate for actual escalation from 1993 to 1995 and

- then escalates the 1995 amount for projected escalation from 1995 to 2000

-Reclamation Estimate base total in 1993 dollars is \$273,169

-Escalation factors through 1994 are actual Means Historical Cost Indices

-Total disturbed area = 142.9 ACRES

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT	
$F = P(1 + i)^{**n}$	1989	0.0177	\$0	
	1990	0.0077	\$0	
F = Future Sum	1991	0.0127	\$0	
P = Present Sum	1992	0.0221	\$0	
i = Escalation Factor	1993	0.0261	\$273,169	base amount
n = number of periods	1994	0.0321	\$281,938	
	1995	0.0268	\$289,494	
Three Yr Average = 2.68%	1996	0.0268	\$297,252	
Used to Project 5 Yrs	1997	0.0268	\$305,218	
Into the Future	1998	0.0268	\$313,398	
From the Year 1995	1999	0.0268	\$321,797	
	2000	0.0268	\$330,422	
Updated Surety Amount Rounded (2000 \$)			\$330,400	
Average cost per acre =	2,312	(\$/ACRE)		
